

Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 NEAE-00 SS-20 SP-03 EB-11 INR-11 L-03

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P 190945Z JUL 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC PRIORITY 3195

C O N F I D E N T I A L SECTION 1 OF 2 TEL AVIV 4055

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E O 11652: GDS

TAGS: OVIP (SIMON, WILLIAM), ETRD, IS

SUBJECT: SIMON VISIT: MEETING WITH MINISTER OF
COMMERCE AND INDUSTRY BAR-LEV

1. FOLLOWING IS UNCLEARED REPORT OF CONVERSATION AND IS SUBJECT
TO CHANGE AFTER REVIEW BY SIMON PARTY.

2. SUMMARY: SECRETARY SIMON AND MINISTER OF COMMERCE AND INDUSTRY
HAIM BAR-LEV MET JULY 17 WITH THEIR RESPECTIVE ADVISERS TO DISCUSS
ISRAEL'S REQUESTS FOR ASSISTANCE FROM THE U.S. IN FIELD OF TRADE.
BAR LEV CONCENTRATED ON THREE BROAD TOPICS OF INTEREST TO HIS
MINISTRY: TRADE, ENERGY, AND INDUSTRIAL RESEARCH AND DEVELOPMENT.
HE NOTED THAT TWO FURTHER SUBJECTS OF INTEREST TO HIS MINISTRY,
NAMELY INVESTMENT AND ASSURED SUPPLY OF RAW MATERIALS, HAD BEEN
DEALT WITH AT PREVIOUS MEETING WITH MINISTER OF FINANCE. BAR-LEV
EXPRESSED VIEW THAT ISRAEL HAD RIGHT TO ASK FOR SPECIAL ASSISTANCE
FROM UNITED STATES FOR TWO REASONS:
POLITICAL, BECAUSE ISRAEL WAS ON FRONT LINE OF DEMOCRATIC
STATES FACING WITH SOVIET UNION FOR LAST FEW YEARS, AND ISRAEL'S
CONTINUED EXISTENCE CONTRIBUTED TO WESTERN INTERESTS IN
MIDDLE EAST: AND HUMAN AS ISRAEL'S POPULATION
CONSISTS OF OVER 50 PERCENT IMMIGRANTS, FOR WHOM ISRAEL HAS
PROVIDED A HOME WHICH THEY OTHERWISE WOULD NOT HAVE HAD.
BAR LEV ALSO NOTED THAT ISRAEL WAS GOOD CUSTOMER FOR UNITED
STATES. END SUMMARY.

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3. IN FIELD OF TRADE BAR LEV PRESENTED PAPER WITH SERIES OF PROPOSALS WHICH HE ASKED BE CONSIDERED. THESE WERE: (A) BILATERAL TALKS WITHIN FRAMEWORK OF MULTILATERAL TRADE NEGOTIATIONS UNDER AUSPICES OF GATT: (B) BILATERAL LIMITED FREE TRADE AGREEMENT ON ELECTRONIC EQUIPMENT AND ACCESSORIES BETWEEN U.S. AND ISRAEL WITHIN FRAMEWORK OF GATT: (C) GENERALIZED AND SPECIAL PREFERENCES TO BE APPLIED TO ISRAEL, DESPITE REVERSE PREFERENCES ISRAEL ACCORDS TO EUROPEAN COMMUNITY: (D) ISRAEL TO BE MADE ELIGIBLE FOR U.S. OFFSHORE PROCUREMENT UNDER AID REGULATIONS: (E) BUY AMERICAN ACT TO BE WAIVED IN CONNECTION WITH ISRAEL: (F) U.S.-ISRAEL FREE TRADE AREA TO BE ESTABLISHED TO EXTENT POSSIBLE, TO INCLUDE ELIMINATING CUSTOMS DUTIES AND OTHER NONTARRIF BARRIERS ON INDUSTRIAL AND AGRICULTURAL PRODUCTS.

4. SECRETARY SIMON ASKED HOW WE COULD INCREASE TRADE BETWEEN U.S. AND ISRAEL, AND IN PARTICULAR HOW WE COULD INSURE THAT U.S. COULD TRADE WITH ISRAEL ON EQUAL BASIS WITH EUROPEAN COMMUNITY. IN REPLY BAR-LEV DEFENDED ISRAEL'S AGREEMENT WITH EUROPEAN COMMUNITY, AND DENIED THAT REVERSE PREFERENCES WERE FACTOR IN DECLINING SHARE OF MARKET. HE STRESSED THAT THERE WAS POTENTIAL FOR GROWTH IN BILATERAL TRADE, AND THAT WE SHOULD TAKE STEPS TO NARROW TRADE GAP WHICH PRESENTLY EXISTS. IN BAR LEV'S VIEW, BEST WAY TO DO THIS IS THROUGH RECIPROCAL REDUCTIONS IN CUSTOMS DUTIES WITHIN MULTILATERAL FRAMEWORK OF GATT.

5. ON ENERGY, BAR LEV OUTLINED PROPOSED DEVELOPMENT OF ELECTRIC POWER GENERATION IN ISRAEL OVER NEXT DECADE OR LONGER. SOLE DEPENDENCE ON PETROLEUM WOULD CONTINUE UNTIL 1979, WHEN STATION POWERED EITHER BY COAL OR OIL WOULD BEGIN OPERATING. BY 1982 COAL-FIRED STATIONS WOULD GENERATE 30 PERCENT OF ISRAEL'S POWER. FIRST ATOMIC POWER PLANT WOULD BEGIN PRODUCING IN 1982/83. BY 1990/91 HE EXPECTED ISRAEL'S POWER TO BE GENERATED 40 PERCENT BY ATOMIC ENERGY, 20 PERCENT BY COAL, 33 PERCENT BY OIL, AND REMAINDER BY NATURAL GAS. AFTER OUTLINING THESE DEVELOPMENT PLANS BAR LEV NOTED THAT FOREGOING PROGRAM WAS NOT GOING TO BE EASY TO ACHIEVE. ISRAEL HAD NO COAL, WHILE ATOMIC ENERGY CAUSES ECOLOGICAL PROBLEMS IN ANY CASE THERE WERE ONLY TWO OR THREE GOOD

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SITES IN ISRAEL FOR ATOMIC POWER PLANTS, WHICH FOR PRACTICAL REASONS HAVE TO BE SITED ON COAST.

6. SECRETARY SIMON ASKED WHETHER ISRAEL WAS DOING ANYTHING WITH GEOTHERMAL ENERGY, WHICH HAD SOME IMPORTANCE IN WESTERN U.S.. ISRAELIS SAID THEY HAD NOT GONE BEYOND PROCESS OF DRAFTING BASIC LAW ON SUBJECT. AMB KEATING POINTED OUT UTILIZATION IN ISRAEL OF SOLAR ENERGY

HEATERS FOR HOUSEHOLDS; IN THIS RESPECT ISRAEL WAS AHEAD OF U.S. BAR LEV COMMENTED THIS COULD NOT BECOME VERY SIGNIFICANT IN VOLUME AT PRESENT STAGE OF DEVELOPMENT. SECRETARY SIMON PRESSED TO DISCOVER WHETHER ISRAEL WAS EXPLOITING PROSPECTS FOR OIL DISCOVERIES WITH APPROPRIATE VOGOR. BAR LEV CITED DISAPPOINTING RESULTS OF MANY YEARS' EXPLORATION IN ISRAEL. NONETHELESS GOI HAD JUST ALLOCATED IL 143 MILLION FOR FURTHER EXPLORATION PARTICULARLY OFFSHORE DRILLING. SECRETARY SIMON URGED THAT OFFSHORE DRILLING BE FOLLOWED UP, SINCE PRESENT TECHNOLOGY PERMITTED US TO GO MUCH DEEPER THAN ISRAEL HAD SO FAR DONE.

7. BAR LEV COMMENTED THAT FOREGOING PLANS FOR ENERGY DEVELOPMENT WOULD COST ISRAEL 1.5 BILLION DOLLARS BY EARLY 1930'S, OF WHICH DOLS 800 MILLION WOULD "HAVE TO BE OBTAINED" FROM FOREIGN SOURCES. BAR LEV NOTED CURRENT FINANCING TERMS OFFERED BY EXIMBANK WERE TOO STIFF. ISRAEL WOULD LIKE EXIMBANK TO FINANCE OR GUARANTEE 100 PERCENT OF LOAN AND WANTS LONGER TERM THAN CURRENT 10 TO 20 YEARS. HE SAID EXIMBANK'S TERM WERE NOT COMPETITIVE WITH THOSE OFFERED BY UNITED KINGDOM. BAR LEV ALSO SOLICITED USG ASSISTANCE IN FINANCING RESEARCH AND DEVELOPMENT ON NEW ENERGY SOURCES.

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ACTION NEA-16

INFO OCT-01 ISO-00 NEAE-00 SS-20 SP-03 EB-11 INR-11 L-03

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TO SECSTATE WASHDC PRIORITY 3199

C O N F I D E N T I A L SECTION 2 OF 2 TEL AVIV 4055

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8. FOR FUTURE DEVELOPMENT, ISRAEL WOULD HAVE TO ACQUIRE R&D KNOW-HOW OR CONDUCT RESEARCH ITSELF. BECAUSE

AGRICULTURE IS ALREADY ADVANCED, WHILE TOURISM IS ONLY VERY SMALL FACTOR, ISRAEL WOULD HAVE TO CONCENTRATE ON INDUSTRIAL, I.E. APPLIED, RESEARCH. EXCEPT IN MILITARY-RELATED AREA, ISRAEL IS WEAK IN APPLIED RESEARCH. IT LACKED BOTH FUNDS, (SINCE INFLATION DISCOURAGES MANUFACTURERS FROM UNDERTAKING R&D) AND AVAILABLE SOURCES OF KNOW-HOW. BAR LEV THOUGHT USG COULD HELP IN BOTH AREAS. IN THIS CONNECTION HE MENTIONED US-ISRAEL DESALTING PROJECT, WHICH HAS BEEN STALLED FOR FIVE YEARS. HE ALSO SOUGHT ACCESS TO INFO CENTERS FOR INDUSTRIAL R&D WHICH EXIST IN U.S.

9. SECRETARY SIMON RESPONDED THAT HIS PRESENCE IN ISRAEL WAS PROOF THAT USG GAVE HIGH PRIORITY TO IMPLEMENTING US-ISRAEL JOINT STATEMENT OF JUNE 17. OUR PAST ACTIONS, HE SAID, SHOW THAT WE AGREE ISRAEL SHOULD HAVE HELP. WE WOULD ALSO HELP IN THE FUTURE, SUBJECT OF COURSE TO CONGRESSIONAL AUTHORIZATION AND APPROPRIATION PROCEDURES. LATTER WERE A REAL PROBLEM, SINCE CONGRESS IS TAKING HARDER LOOK AT ALL FOREIGN AID PROJECTS EVERY YEAR. SECRETARY SIMON NOTED THAT INTEREST RATES IN EXIMBANK LOANS HAD COME IN FOR LOT OF CRITICISM LATELY, ON GROUND EXPORTS WERE BEING SUBSIDIZED BY INTEREST RATES CHEAPER THAN AMERICAN MANUFACTURERS COULD OBTAIN. UNDERSECRETARY BENNETT EXPRESSED VIEW THAT EXIMBANK RATES COULD HARDLY BE LOWERED. IN FACT HE HAD

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JUST COME FROM INTERNATIONAL MEETING OF EXPORT CREDIT FINANCING FACILITIES OF WESTERN COUNTRIES, WHERE HE HAD BEEN NEGOTIATING FOR INCREASE IN OTHER COUNTRIES' INTEREST RATES TO EXIMBANK LEVEL.

10. MESSRS. HOSTLER (COMMERCE) AND BILLER (STATE) EXPRESSED CONSIDERABLE DOUBT THAT KIND OF BILATERAL TRADE PROJECTS IN ISRAELI PAPER WOULD BE FEASIBLE. BILATERALISM IN TRADE HAD LONG BEEN CONTRARY TO USG POLICY: IMPLICATIONS OF UNDERTAKING BILATERAL ARRANGEMENTS WITH ONE COUNTRY WOULD BE WORLDWIDE. MR. BILLER THOUGHT PROSPECTS FOR TRANSFER OF R&D KNOW-HOW WERE MUCH MORE PROMISING.

11. ADIN TALBAR (ASSISTANT DIRECTOR GENERAL FOR FOREIGN TRADE) WENT INTO FURTHER DETAIL ON ISRAELI PROPOSALS. IN PARTICULAR HE MADE PLEA THAT ISRAEL BE MADE ELIGIBLE FOR U.S. GENERALIZED AND SPECIAL PREFERENCES DESPITE REVERSE PREFERENCES ISRAEL GIVES EUROPEAN COMMUNITY. HE URGED THAT USG RECOMMEND TO CONGRESS PROVISION FOR WAIVER OF OUTRIGHT PROHIBITION ON GIVING GSP, ON CONDITION SUCH COUNTRY GIVE OTHER COMPENSATING BENEFITS.

12. IN CONCLUSION SECRETARY SIMON SAID THAT THE SYSTEM OF COMMITTEES WHICH HAD BEEN AGREED WOULD PROVIDE

ADEQUATE FRAMEWORK FOR EXAMINING ALL OF ISRAEL'S
PROPOSALS. HE THOUGHT THIS WORK COULD BEGIN VERY SOON.
BAR LEV EXPRESSED VIEW THAT ON BASIS OF PAST EXPERIENCE,
ISRAEL WAS SURE THERE WOULD BE A POSITIVE RESULT.
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